



Higher Education and Employment Advancement Committee

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Public Hearing

Testimony

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Co-Chairs, Ranking Members, and Members of the Higher Education and Employment Advancement Committee, thank you for allowing me to submit testimony on Proposed Bill 204, *An Act Requiring Marketing Contracts Involving Public Institutions of Higher Education to be Subject to Disclosure under the Freedom of Information Act*.

Background

The vast majority of college athletic departments which compete at the highest level of intercollegiate athletics have assigned their multi-media marketing and corporate sponsorship rights to a specialized firm within the industry. This trend began 10-12 years ago, when universities realized that their athletic departments did not have enough human resources or key corporate contacts to maximize their sponsorship revenues. By outsourcing their marketing assets, athletic departments were able to enhance and stabilize this significant revenue stream.

The basic premise of these arrangements is that a college athletic department will assign its marketing assets --- such as in-venue signage, radio network rights, in-game promotions, and printed promotional materials --- to a contracted firm. In consideration for the exclusive right to develop sponsorship agreements containing these assets with interested corporate entities, the firm will provide the athletic department with an annual rights fee. The firm will set up an office locally to sell sponsorships on behalf of the athletic department and will also “bundle” the marketing assets of the athletic department with those at multiple universities in order to more effectively sell to national advertisers.

UConn’s undertook a competitive bid process in 1998, which resulted in the awarding of a contract for the sales and management of the University’s athletic multi-media marketing rights to IMG College. Prior to this contractual relationship, UConn’s athletic corporate sponsorships were sold internally, and the annual revenues derived from the sponsorships were more erratic from year-to-year, due to the volatile nature of the sponsorship budgets of corporate entities. By contracting with a company like IMG to manage UConn’s marketing rights, the University has been able to create a stable, growing revenue stream because IMG pays an annual rights fee, and the burden of the sponsorship sales rests with IMG. The relationship benefits UConn in multiple ways: UConn derives more sponsorship revenues; sponsorship revenues can be budgeted with certainty; and UConn saves human resources expenses since it does not have the responsibility to sell and manage the sponsorships.

Currently, UConn is in the fifth year of its 10-year agreement with IMG College, in which IMG annually provides UConn with an average annual rights fee of \$8 million. This revenue stream is critical to UConn’s ability to continue providing its student-athletes with a tremendous academic and athletic experience in Storrs, as well providing state residents with a source of pride generated by the ongoing successes of the Huskies.

Potential Negative Impact

In any business, the ability to maximize sales hinges, in part, on good faith, confidential negotiations between the seller and buyer. Such trust is vital to developing an agreement which is mutually beneficial. Further, entities which negotiate business relationships generally do not want such agreements to be publicly disclosed, because such disclosure could weaken the respective parties’ negotiating position in any future deals and may reveal confidential marketing strategies to their competitors. To be certain, this condition or business interest can be clearly distinguished from contracts or agreements to which the State (or an agency of the State) is a party. In such case, the contracts or agreements with the State are clearly regarded to be public documents subject to disclosure under the Connecticut Freedom of Information Act. The present legislative proposal would therefore be applicable to contracts or agreements to which the State (or an agency of the State) is not a party and instead would be applicable to contractual agreements as between private entities.

In this case, IMG College, which represents the University in the marketplace selling athletic corporate sponsorships, may not want its sponsorship agreements to be disclosed because such disclosure of specific deal points could negatively impact IMG's negotiating position with other corporate entities interested in supporting the Huskies. IMG considers the deal terms proprietary and does not generally wish its "trade secrets" to be in the public eye.

Similarly, corporate entities which contract with IMG may not want the corporate sponsorship agreements to be disclosed. Corporate entities could have internal sensitivities about such release or may be concerned about their own negotiations with *other* universities being unfairly damaged by the disclosure of a contract with UConn.

Summary

The public disclosure of corporate sponsorship agreements between IMG College and various corporate entities could severely damage UConn, which relies on the corporate sponsorship revenue stream to support a successful, prideful athletic program. If IMG College knows that every corporate sponsorship contract of which it is a party (on behalf of the University) is subject to public disclosure, it may determine that doing future business with UConn is not in its best interests, thus placing a severe financial burden on the University. By the same token, if current or prospective corporate entities were made aware that any contract with IMG College were subject to public disclosure, those entities may feel that such public exposure is not beneficial to their business or disadvantages them in some way, resulting in little or diminished interest in such a relationship. Both of these examples reflect a potential, yet realistic and negative outcome for UConn.

The University is aware that as a public entity, it is important to maintain the public trust through transparency in its business conduct and disclosure of contracts or agreements to which the University is a party. As such and related to the Athletics corporate sponsorships, UConn has previously made public the terms of its agreement with IMG College.

UConn has a level of sensitivity and concern that the business partners supporting our Athletics corporate sponsorship program will have some diminished enthusiasm about doing business with the University if such public disclosure was required, resulting in the likelihood that a currently-healthy, stable revenue stream will be jeopardized.